

# MONTHLY REVENUE REPORT

## July 2008

The revenue generated from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.95 billion in July, which was up \$100.0 million or 5.4% from the year-ago level. Tax collections in July were affected both positively and negatively by a number of economic and noneconomic factors. These factors include: 1) Michigan business tax receipts were up significantly from last year's single business tax collections due in part to differences in the due dates of these two business taxes, 2) income tax withholding payments and sales and use tax receipts were smaller than they otherwise would have been due to some noneconomic timing factors, 3) real estate transfer tax receipts continued to fall well below year-ago levels due to the housing downturn, and 4) oil and gas severance tax revenue was up significantly due to the sharp increase in oil and natural gas prices during the past year. It is still very difficult to estimate monthly collections for the new Michigan business tax and the revenue still coming in from the repealed single business tax, but the revenue collected from the other major taxes was on target with the Senate Fiscal Agency's estimate for July. On a fiscal year-to-date basis, tax collections are up 8.7%. The Senate Fiscal Agency estimates that so far in FY 2007-08, tax collections are running ahead of the consensus estimate by about \$80.0 million.

Income tax revenue totaled \$567.4 million in July, which was down 0.8% from the last year's level. Income tax payments withheld from workers' paychecks were down 0.7% primarily because in July receipts were received from one less key payday compared with last year. In addition, refund payments were up 25.3% from the year-ago level. So far in FY 2007-08, income tax revenue is up 13.6%, which is on target with the consensus estimate. The relatively large increase in income tax revenue so far in FY 2007-08 reflects the increase in the tax rate that went into effect at the start of the fiscal year.

Sales tax receipts totaled \$595.9 million in July, which was down 5.7% from last year's level. Most of this decline can be attributed to the fact that last year's collections were inflated due to a month-end noneconomic timing factor. Sales tax collections from retail motor vehicle transactions were up 4.4% in July, while tax receipts from all other taxable retail sales were down 6.9%. On a fiscal year-to-date basis, sales tax receipts are up 2.8% and are about \$50.0 million above the consensus estimate.

Michigan business tax revenue totaled \$455.2 million in July, while single business tax revenue was a negative \$50.0 million as refund payments and some negative accounting adjustments outdistanced collections. The combined collections from these two business taxes topped last year's single business tax receipts by \$210.0 million or 86.2%. It is estimated that a good share of this large increase reflects a change in the due date of quarterly payments under the new Michigan business tax compared with the old single business tax.

Real estate transfer tax receipts totaled \$14.9 million in July, representing a decline of 13.4%. This marks the 26<sup>th</sup> consecutive month that real estate transfer tax revenue has fallen below the year-ago level. On a fiscal year-to-date basis, real estate transfer tax receipts are down 23.8% and are trailing the consensus estimate by an estimated \$5.0 million.

Oil and gas severance tax revenue totaled \$11.7 million in July, which was up 69.6% from the \$6.9 million that was collected in July 2007. So far in FY 2007-08, severance tax revenue is up 48.9% and is ahead of the consensus estimate by about \$10.0 million.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for July 2008. Also presented are the consensus revenue estimates for FY 2007-08, which were adopted at the May 16, 2008, Consensus Revenue Estimating Conference.



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## MICHIGAN REVENUE UPDATE

JULY 2008

(dollars in millions)

Type of Revenue	July Collections		FY 2007-08 to Date <sup>2)</sup>		FY 2007-08 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2006-07
Gross Income Tax	\$599.6	0.4%	\$6,974.9	11.1%	\$8,999.4	10.7%
Refunds	(32.2)	25.3	(1,681.9)	3.7	(1,825.5)	8.2
Net Income Tax	\$567.4	(0.8)%	\$5,293.0	13.6%	\$7,173.9	11.4%
Sales Tax	595.9	(5.7)	5,015.5	2.8	6,648.8	1.5
Motor Vehicles	70.5	4.4	531.7	(0.8)	---	---
All Other Sales Tax	525.4	(6.9)	4,483.8	3.2	---	---
Use Tax	121.2	(10.0)	1,025.7	0.3	1,338.0	(3.1)
Tobacco Taxes	92.0	(6.2)	785.5	(5.6)	1,081.0	(4.3)
Single Business Tax	(50.0)	(120.4)	689.3	(49.8)	560.6	(69.1)
Michigan Business Tax	455.2	---	1,157.8	---	1,816.3	---
Insurance Tax	52.9	55.1	187.8	12.7	244.0	9.0
State Education Property Tax	10.9	(56.0)	576.1	9.4	2,028.3	(2.5)
Real Estate Transfer Tax	14.9	(13.4)	130.6	(23.8)	189.0	(20.4)
Casino Wagering Tax <sup>4)</sup>	10.4	(24.1)	111.0	(17.9)	140.1	(12.1)
Oil & Gas Severance Tax	11.7	69.6	73.7	48.9	86.0	19.4
Other Taxes <sup>5)</sup>	63.1	(7.3)	311.8	(1.5)	377.5	(19.7)
<b>Total</b>	<b>\$1,945.7</b>	<b>5.4%</b>	<b>\$15,357.8</b>	<b>8.7%</b>	<b>\$21,683.5</b>	<b>5.4%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$170.9	3.1%	\$1,938.7	(0.2)%	\$2,212.0	(0.5)%
Net to School Aid Fund <sup>4)</sup>	\$ 54.8	(1.0)%	\$ 621.8	0.2%	\$ 749.2	0.0%

1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.

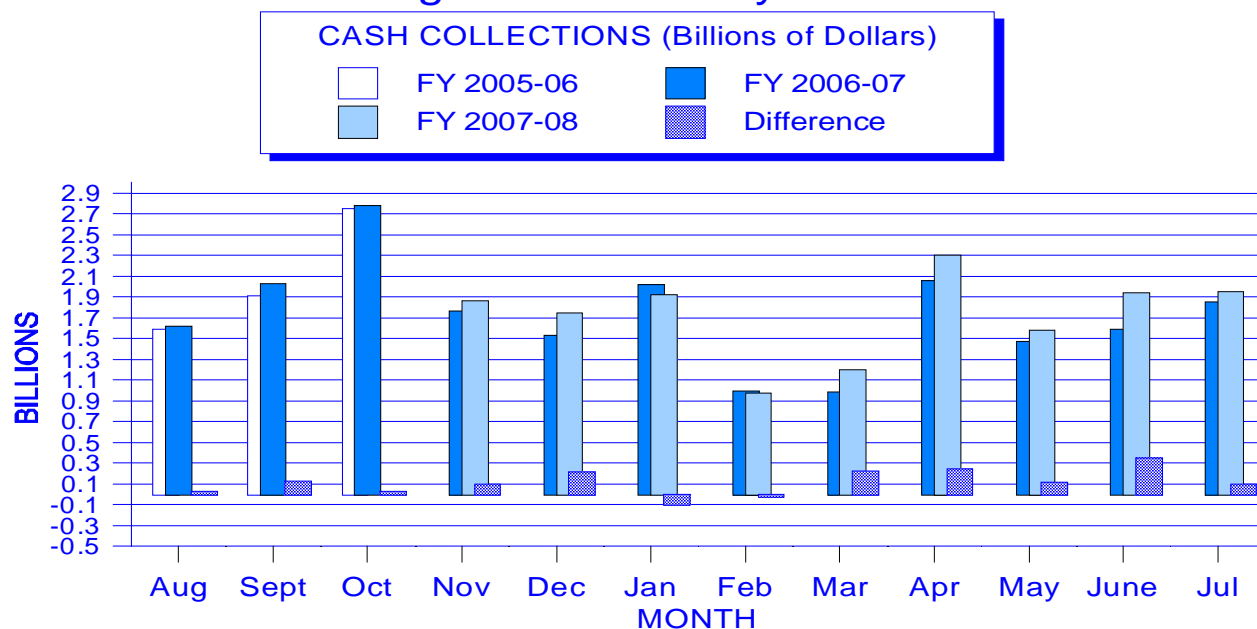
3) Consensus revenue estimates adopted at the May 16, 2008, Consensus Revenue Estimating Conference.

4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.

5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

## Actual Revenue Collections for Major State Taxes\*

### August 2006 to July 2008



\*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.